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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

CENTRAL BOARD OF DIRECT TAXES

NOTIFICATION

INCOME-TAX

New Delhi, the 10th August 1966

S.O. 2451.—In exercise of the powers conferred by section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely :—

1. These rules may be called the Income-tax (Second Amendment) Rules, 1966.

2. In rule 2A of the Income-tax Rules, 1962 (hereinafter refe red to as the principal rules), in sub-clause (i) of clause (c), for the words "at Bombay, Calcutta, Delhi or Madras," the words "at Ahmedabad, Bangalore, Bombay, Calcutta, Delhi, Hyderabad, Kanpur, Madras or Poona," shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1966.

3. For rule 6A of the principal rules, the following rules shall be substituted, namely :—

'6A. *Limits and conditions for allowance of expenditure in certain cases.*— Expenditure referred to in sub-section (3) of section 37 shall be allowed only to the extent and subject to the conditions specified in rules 6B, 6C and 6D :

Provided that in the case of such expenditure incurred during the previous year commencing immediately prior to the 10th day of August, 1966 or any earlier previous year, the full amount thereof, if otherwise admissible under sub-section (1) of section 37, shall be allowed.

6B. *Expenditure on advertisement.*—(1) The allowance in respect of expenditure on advertisement shall not in the following cases exceed—

(a) in respect of articles intended for presentation, Rs. 50 on each such article;

(b) in respect of any advertisement outside India involving payment in foreign currency, the amount covered by foreign exchange granted to, or permitted to be acquired by, the assessee for this purpose under the law relating to foreign exchange for the time being in force.

(2) (i) Where the Income-tax Officer is of opinion that any expenditure on advertisement of the nature described in clause (ii) is excessive of unreasonable having regard to the legitimate business needs of the assessee and the benefit derived by or accruing to him therefrom, that portion of the expenditure which is so considered by him to be excessive or unreasonable shall not be allowed as a deduction in computing the total income;

(ii) the expenditure referred to in clause (i) is that incurred on advertisement involving payment—

(A) to a person (including in the case of a company, firm, an association of persons or a Hindu undivided family, a director, partner or member, as the case may be, of such company, firm, association or family) who has a substantial interest in the business of the assessee, or to a relative of such person; or

(B) to a person who carries on the business of, or profession as, a publicity or advertising agent, where the assessee, or in a case where the assessee is a company, firm, an association of persons or a Hindu undivided family, any director, partner or member, as the case may be, of such company, firm, association or family, or any relative of such assessee or such director, partner or member, has a substantial interest in the business or profession of that person.

(3) Any expenditure on advertisement for which payment has been made in a sum exceeding Rs. 2,500 shall not be allowed as a deduction in computing the total income unless such payment is made by a crossed cheque drawn on a bank or by a crossed bank draft:

Provided that where an allowance has been made in the assessment for any year in respect of any liability incurred by the assessee for expenditure on advertisement exceeding Rs. 2,500 and subsequently during any previous year the assessee makes payment in respect thereof otherwise than in accordance with the provisions of this clause, the allowance originally made shall be deemed to have been wrongly made and the Income-tax Officer may recompute the total income of the assessee for the previous year in which such liability was incurred and make the necessary amendment; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the assessment year next following the previous year in which the payment was so made.

Explanation.—For the purposes of this rule,—

(i) "relative" shall have the meaning assigned to it in clause (41) of section 2;

(ii) a person shall be deemed to have a substantial interest in a business or profession, if,—

(a) in a case where a business or profession is carried on by a company, such person is the beneficial owner of shares, not being shares entitled to a fixed rate of dividend whether with or without a further right to participate in profits, carrying not less than twenty per cent. of the voting power; and

(b) in any other case, such person is beneficially entitled to not less than twenty per cent. of the profits of such business or profession.

6C. *Expenditure on residential accommodation including guest houses.*—(1) The allowance in respect of expenditure incurred by an assessee on the maintenance of residential accommodation in the nature of guest house (hereinafter referred to as guest house) shall be limited to the amount laid out or expended on the maintenance of the guest house or as the case may be, guest houses, specified hereunder:—

(a) one or more guest houses at the principal place of his business or profession in India;

(b) where the assessee is engaged in the raising or processing of raw materials or the manufacture, processing or production of any article or thing, or is maintaining any industrial establishment in which not less than fifty whole-time employees have been employed throughout the relevant previous year, one or more guest houses at the place where any such operation is performed or the establishment is maintained, as the case may be;

(c) (i) in the case of an assessee, being a banking company, one or more guest houses at Bombay;

(ii) in the case of any other assessee, one or more guest houses at Delhi and at not more than two other places in India, which may be the capital of a State Government or any other place which is of direct importance to the business or profession of the assessee;

(d) where the assessee maintains one or more guest houses at any place other than the places referred to in clause (a) or clause (b) or clause (c), any such guest house or guest houses exclusively used by his employees while on leave:

Provided that the assessee has in his employment not less than one hundred whole-time employees throughout the relevant previous year and the guest house is, or the guest houses are, as the case may be, maintained mainly for the use of the whole-time employees drawing salary not exceeding one thousand rupees per month.

(2) The allowance in respect of expenditure incurred by an assessee, not being a company, on the maintenance of any residential accommodation which results directly or indirectly in the provision of any benefit or any amenity or perquisite to an employee shall not exceed twenty per cent. of the salary due to such employee in respect of the period of his occupation of the said accommodation during the relevant previous year:

Provided that nothing in this sub-rule shall apply to any expenditure which results directly or indirectly in the provision of any benefit or amenity or perquisite to an employee whose income chargeable under the head "Salaries" is seven thousand five hundred rupees or less.

(3) No allowance shall be made in respect of expenditure incurred on the maintenance of any residential accommodation in the nature of a guest house unless the assessee maintains a register showing the following particulars, namely:—

(i) the name and address of every employee and, in the case of an assessee being a company, firm, an association of persons or a Hindu undivided family, also of every director of the company, partner or member of the firm, association or family, as the case may be, who had stayed in the guest house;

(ii) whether his stay in the guest house was for the purposes of the business or profession of the assessee;

(iii) the date of his arrival at the guest house and the date of his departure therefrom;

(iv) the amount, if any, paid by him towards his lodging and boarding in the guest house.

(4) For the purposes of this rule, and rule 6D,—

(i) the expression "guest house" shall include accommodation hired or reserved by the assessee in a hotel for a period exceeding on hundred and eighty-two days during the previous year;

(ii) the expression "salary" shall have the meaning assigned to it in clause (h) of rule 2 of Part A of the Fourth Schedule.

6D. *Expenditure in connection with travelling etc.*

(1) (i) The allowance in respect of expenditure incurred by an assessee in connection with travelling by an employee or any other person outside India for the purposes of the business of profession of the assessee shall not exceed the amount which bears to the aggregate of the amount, if any, covered by foreign exchange granted, or permitted to be acquired, for the purpose of such travel under the law relating to foreign exchange for the time being in force and the amount expended on such travel in Indian currency, the same proportion as is determined in the manner specified in clause (ii);

(ii) The proportion referred to in clause (i) shall be determined by dividing the number of days mainly devoted by such employee or other person for the purposes of the business or profession of the assessee outside India, by the total number of days spent by such employee or other person outside India (excluding, in either case, the number of days required for such travel by a reasonably direct route in the mode of travel adopted by him).

Explanation.—For the purpose of this rule, the expression "days mainly devoted by such employee or other person for the purposes of the business or profession of the assessee outside India" shall include any public holiday in a foreign country on which such employee or other person is required to stay outside India, provided that the working day immediately following such public holiday is mainly devoted by him for the purposes of the business or profession of the assessee.

(2) The allowance in respect of expenditure incurred by an assessee in connection with travelling by an employee or any other person within India outside the headquarters of such employee or other person for the purposes of the business or profession of the assessee shall not exceed the aggregate of the amounts computed as hereunder:—

(a) in respect of travel by rail, road, waterway or air, the expenditure actually incurred;

(b) in respect of any other expenditure (including hotel expenses or allowances paid) in connection with such travel, an amount calculated at the following rates for the period spent outside such headquarters:

(i) In respect of an employee whose salary is Rs. 1,000 per month or more.	Rs. 100 per day or part thereof.
(ii) In respect of any other employee.	Rs. 50 per day or part thereof.
(iii) In respect of any other person.	An amount calculated at the rates applicable in the case of the highest paid employee of the assessee;

Provided that if the stay of such employee or other person outside his headquarters is at Bombay, Calcutta or Delhi, the amount computed at the aforesaid rates shall be increased by a sum equal to fifty per cent. of such amount:

Provided further that in a case where such employee or other person on any day of his stay outside his headquarters, stays free of charge in a guest house maintained by the assessee, the amount under this clause shall be calculated at one-third of the aforesaid rates and where the employee or such other person is provided lodging only free of charge, at one-half of the aforesaid rates.'

4. The existing rule 6B of the principal rules shall be re-numbered as rule 6E.

5. In rule 47 of the principal rules,—

(i) in sub-rule (1), after the word, letters and figures "Form No. 36", the following words, brackets and figures shall be added, namely:—

"and where the appeal is made by the assessee, the form of appeal, the grounds of appeal and the form of verification appended thereto shall be signed by the person specified in sub-rule (2) of rule 45";

(ii) in sub-rule (2), after the word, letters and figures, "Form No. 36A", the following words, brackets and figures shall be added, namely:—

"and where the memorandum of cross-objections is made by the assessee, the form of memorandum of cross-objections, the grounds of cross objections and the form of verification appended thereto shall be signed by the person specified in sub-rule (2) of rule 45".

6. In rule 68 of the principal rules, in sub-rule (1), after clause (a), the following clause shall be inserted, namely:—

"(aa) meeting the cost of higher education, including, where necessary the travelling expenses of any child of the employee actually dependent on him in the following cases, namely:—

(i) education outside India for academic, technical, professional or vocational courses beyond the High School stage, and

(ii) any medical, engineering or other technical or specialised course in India beyond the High School stage, provided that the course of study is for not less than three years;".

7. In Appendix II to the principal rules,—

(i) in Form No. 47, for the words "satisfied that it is not in the public interest", the words "not satisfied that it is in the public interest" shall be substituted;

(ii) in Form No. 49, for the words "I am to say that I am satisfied that it will not be in the public interest to furnish the information asked for", the words "I am to say that I am not satisfied that it is in the public interest to furnish the information asked for" shall be substituted;

(iii) in Form No. 52, for the brackets and words "(name and address)", where they occur in the first place, the brackets and words "(name and address of the principal place of business)" shall be substituted.

[No. 77/F. No. 1(364)65-TPL.]

V. RAMASWAMY IYER, Secy.

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